



CITY OF DURHAM

Community Development Department

807 EAST MAIN STREET | DURHAM, NC 27701

919.560.4570 | F 919.560.4090

www.DurhamNC.gov

Date: May 10, 2012

To: Thomas J. Bonfield, City Manager

Through: Keith Chadwell, Deputy City Manager

From: Reginald J. Johnson, Community Development Interim Director

Subject: Adopt Bond Resolution Approving the Issuance of Not to Exceed \$9,800,000 Housing Authority of the City of Durham Multifamily Housing Revenue Bonds (Greens of Pine Glen Project)

Executive Summary

The Housing Authority of the City of Durham wishes to issue its tax-exempt multifamily housing bonds for the benefit of the Greens of Pine Glen affordable housing redevelopment project. The project will be spearheaded by a private developer utilizing tax-exempt multifamily housing bonds, Low-Income Tax Credits and developer equity. As a result of the project, 168 apartments will remain affordable to persons earning at or below 60% of the Area Median Income.

Recommendation

The Community Development Department recommends that the City Council adopt the resolution authorizing the issuance of the bonds.

Background

The Housing Authority of the City of Durham (“DHA”) requests that the City adopt a resolution authorizing the issuance of DHA’s multifamily housing revenue bonds for the purpose of financing the acquisition and renovation of the Greens of Pine Glen affordable housing development in south Durham. The Greens of Pine Glen is located on a 19 acre site at 6201 Pine Glen Trail (off Highway 54) and consists of 168 apartment units (the “Development”).

The Development was originally built in 1996 using Low-Income Housing Tax Credits and made affordable exclusively to persons with incomes at or below 60% of the Area Median Income. Pine Glen Limited Partnership, a North Carolina limited partnership (the “Borrower”), has requested that DHA assist in financing a portion of the cost to acquire and renovate the Development through the issuance of its multifamily housing revenue bonds not to exceed \$9,800,000 (the “Bonds”). The Development will remain exclusively affordable to persons earning at or below 60% of the Area Median Income.

Issues and Analysis

The State of North Carolina has formally allocated the necessary bond allocation to the deal. In addition, the Borrower was awarded 4% Low-Income Housing Tax Credits. DHA held a public hearing and provided final approval of the Bonds, including approval of the borrower, the plan of financing and financing team, on April 25, 2012. It is anticipated that the Bonds and Low-Income Housing Tax Credits will be purchased by America First Real Estate Group and Boston Capital respectively.

DHA has requested that the City approve the Bonds to allow the financing to meet a requirement of Section 147(f) of the Internal Revenue Code. The Code requires that the “applicable representative” (the City Council) of the jurisdiction in which the bond-financed project is located adopt a resolution after the issuer (DHA) holds a public hearing. As noted above, DHA held a public hearing regarding the Bonds on April 25, 2012.

The City will not be liable for the Bonds. The Bonds will be primarily secured by the Development revenues, a first mortgage on the facilities and additional credit guarantees provided by the Borrower. The Bonds will not be secured by any form of taxation or funds of the City. Neither would the Bonds represent or constitute a general obligation of the City. Additionally, the Bonds would not be regarded as an obligation of DHA.

Should the City approve this resolution, DHA will seek final approval from the Local Government Commission before issuing the Bonds. After Local Government Commission approval, the Bonds may be issued and sold, and the proceeds loaned to the Borrower for the benefit of the Development.

Alternatives

The City could choose not to authorize the issuance of the Bonds, which would, in effect, prevent the Borrower from financing the transaction utilizing DHA’s tax-exempt multifamily housing bonds.

Financial Impact

The adoption of this resolution has no fiscal impact on the City. However, if the Development is approved, both DHA and the City would benefit financially – DHA through a bond issuance fee and the City through job creation and building permit fees, to name a few.